

Massachusetts Division of Insurance
Excel Filing Form Instructions for Rates Affecting Motor Vehicles Insured Under a
Private Passenger Motor Vehicle Insurance Policies with Effective Dates of April 1, 2008
through March 31, 2009

The following information is to be provided in excel format as part of the private passenger motor vehicle insurance rate filings. To the extent the filing relies on additional quantitative information, it too must be included with the excel file using the labeling convention described Excel sheet footnotes. If some filing support is not available in excel format, such as a rating plan in effect in another state, the filer should note this within the excel file and identify where such support may be found in the paper version of the filing.

Only the first two sheets contained in the Excel file (Cert. Bulletin and Cert. Co. Distn) are required as attachments to rate filings made by Under 1% Companies as that term is defined in 211 CMR 79.03.

Input Sheet

The input sheet allows the company to populate the remaining sheets with the company name and the years of experience used in estimating the overall rate change.

Per the requirements of 211 CMR 79.19, coverage level rate changes may be based on a maximum of the three most recent years of experience. The insurer may choose to use any number of years within this range, and the number may vary by coverage. The insurer may also input "N/A" as the number of years of experience used. Such a designation means the insurer is establishing rates for the coverage using a judgmental or reference approach which is to be described beginning on Sheet 10-12.____.

Cert. Bulletin

This sheet contains a sample affidavit concerning the premium effects of the rate filing as governed by Division of Insurance Bulletin 2007-07. The signed version of this certification should be included with the paper copy of insurers' rate filings. To the extent a Microsoft Excel or Access database is filed as support for the certification, it should be included with (but may be separate from) the submission of the other excel data required of the insurer.

Cert. Co. Distn

This sheet contains a sample affidavit concerning the premium effects of the rate filing as they affect the insurer's current insureds for major coverages. The signed version of this certification should be included with the paper copy of insurers' rate filings. The Excel version of this sheet should include the percentages requested.

Sheet 1 or Sheet 1A – Summary of Coverage Level Rate Changes

Sheet 1 or 1A summarizes the percentage rate changes by for each coverage and in total. Sheet 1 is to be used if the insurer uses a loss ratio method for determining rate changes, and Sheet 1A is to be used if the insurer uses a pure premium method. Both sheets require the insurer to calculate the average percentage rate change for the compulsory coverages which are described in the footnotes of these sheets.

Sheet 2 – Rate Changes By Coverage

Sheet 2 summarizes the major components of the rate change calculation on a coverage by coverage basis. The insurer must describe the calculations it uses to determine the ultimate loss and ALAE (line 8), the indicated rate change or average premium (line 15), the complement of credibility (line 17), and the credibility adjusted indicated rate change or average premium (line 18) directly on the excel spreadsheet.

Insurers are not required to credibility weight the overall rate change. If the insurer chooses not to use credibility, the value on line 17 should be 1, and the values on line 18 should equal those on line 15.

Insurers also have the option of using different weights for the experience years underlying the indicated average rate or rate change. Documentation of the weights applied should be displayed in Sheet 9-1.

If the insurer is not independently deriving the rates for the coverage shown, the insurer should type “N/A” in line 19.

Sheet 3 – Historical and Projected Earned Premium and Exposures

Sheet 3-1 provides for the reporting of up to three years of historical and projected earned premiums and exposures. The historical amounts should be input by the insurer, and the projected amount should be calculated by the insurer. Insurers need only report the experience years actually relied upon in the calculation of the indicated average rate or rate change.

Sheet 3-2 provides for the rate change history affecting each coverage. This sheet is only applicable to insurers who use loss ratio techniques for estimating the average rate change. Insurers need only report the rate change history affecting the experience years actually relied upon in the calculation of the indicated average rate or rate change. Insurers should describe the actuarial technique used to determine the on-level premium factors either in this sheet or in any accompanying explanatory memorandum.

Sheet 3-3 provides space for the description and calculation of model year and rate symbol drift factors for physical damage coverages. Sheet 3-3 must be completed by all insurers.

Sheet 3-4 provides space for the description and calculation of exposure growth factors, if applicable.

Sheet 4 – Accident Year Loss Development

Sheet 4-1 requires entry of the development periods used in the analysis. Once entered, the development periods for the remaining coverages and amounts will be pre-filled. The development periods shown on Sheet4-1 through Sheet4-22 should be annual from 24 months development and forward. If the insurer relied upon quarterly analysis, this should be attached as supplemental information beginning with Sheet 4-23.

Each insurer will need to specify in the headers whether basic or total limits loss experience is being used. The need for insurer edits is indicated wherever there the type font in the spreadsheet is shown in a bold blue color.

Per the requirements of 211 CMR 79.00, incurred claim counts should be reported even if they are not relied upon in the filing. If they are not relied upon, the insurer should type “N/A” in the selected age-to-ultimate row of the Sheet.

The explanatory memorandum should explain the data upon which the insurer relied in calculating its average rate or rate change, and identify any modifications to the data or its development that would assist the Division in its review of the filing.

Sheet 5 – Average Annual Loss Trends

Sheet 5 provides space for the support of the average annual loss trends underlying the indicated average rate or rate change. Sheet 5 allocates 24 historic points for this purpose, but the actual number considered, as well as the type of data considered, is at the discretion of the insurer. The footnotes of sheets 5-1 through 5-3 should specify these considerations.

If a filer did not consider or rely upon certain components of loss trending (i.e. pure premium, frequency, or severity), the filer should indicate this by typing “N/A” in the selected annual percentage change row of Sheets5-1 through 5-3. If the insurer relies on trending techniques other than traditional regression methods, the filer should attach support for such trends beginning with Sheet5-6.____.

Sheet 5-4 is a summary of the average annual percentage loss trend underlying the indicated average rate or rate change for each coverage. The insurer must input the values necessary for this calculation.

Sheet5-5 provides a summary of the loss trend factors applicable to the historic experience. The trend period and calculation should be described in the footnotes on this sheet. Trend factors need only be calculated for the experience years actually relied on in estimating the average rate or rate change.

The explanatory memorandum should explain the choice of data upon which the insurer relied in calculating its average rate or rate change, and identify any modifications to the historic data or forecasts that would assist the Division in its review of the filing.

Sheet6 – Projected Claims Adjustment Expenses

Sheet 6 provides space for the support of the projected claims adjustment expense (ULAE) underlying the indicated average rate or rate change. Sheet6-1 allows for the most recent five years of ULAE experience as support for the insurer's claims adjustment estimates, but the actual experience period considered, as well as the type of data considered, is at the discretion of the insurer. If the insurer chooses to evaluate allocated claims adjustment expenses along with ULAE, the headers should be appropriately modified. The footnotes of sheets 6-1 should specify the source and type of data that was considered.

For the purpose of defining the historic experience period, the year shown in bold blue font on the excel sheet should reflect the most recent experience period considered. Once entered, the previous four annual experience periods will be pre-filled.

Sheet6-2 summarizes the insurer's estimated annual percentage change in the insurer's selected claims adjustment expense load. Insurers should cite the source of this change and the method used to calculate the trend factors in the footnotes. Claims adjustment expense trend factors need only be shown for experience periods relied upon by the insurer in estimating the average rate or rate change for each coverage.

Sheet6-3 is available to insurers who choose to measure the cost of the residual market as a loss provision. Regulation 211 CMR 79.19(6)(i) provides guidance on this expense loading. The actuarial method used to develop this estimate should be included in this worksheet.

Sheet7 – Underwriting Expense Provisions

Sheets 7-1 and 7-2 provides space for the support of the liability and physical damage underwriting expenses underlying the indicated average rate or rate change. If an insurer wants to combine liability and physical damage underwriting expenses for the purposes of estimating rates, support for that decision should be included as a supplement to Sheet 7-2 using the labeling convention of 7-2.____ where ____ is numeric.

Sheet7-1 allows for the most recent five years of underwriting expense experience as support for the insurer's underwriting expense estimates, but the actual experience period considered, as well as the type of data considered, is at the discretion of the insurer. Insurers have the option of expressing underwriting expenses as a percentage of premium or as a percentage of exposure. The footnotes of sheets 7-1 and 7-2 should specify the data that was considered.

For the selected commission percentage, footnote 10 of Sheets 7-1 and 7-2 should reflect the composition of that selection as it applies to standard commission, contingency commission, and overrides.

Sheet7-3 summarizes the forecasted annual percentage change in fixed underwriting expenses. Insurers are asked to describe the source of this change and how the fixed components of underwriting expense are determined, and the calculation of the trend factors that apply to this expense component of the rate in the footnotes. Fixed underwriting expense trend factors need only be shown for experience periods relied upon by the insurer in estimating the average rate or rate change for each coverage.

Sheet7-4 is available to insurers who choose to measure the cost of the residual market as an expense provision. Regulation 211 CMR 79.19(6)(i) provides guidance on this expense loading. The actuarial method used to develop this estimate should be included in this worksheet.

Sheet8 – Underwriting Profit Provision

Sheet8 provides space for the calculation supporting the insurer's provision for underwriting profit. If the calculation of the underwriting profit provision is based on the cost of capital, asset returns, leverage ratios, premium or loss cash flows or discount rates, the data relied on to support the calculation of underwriting profit should be included or referenced in Sheet8.

If the source of any information affecting an insurer's underwriting profit provision is included in the AIB's April 1, 2008 Advisory Filing, reference to that document is sufficient as actuarial support.

Sheet9 – Experience Weights and Credibility Standards

Sheet 9 provides space to describe the experience weights applied to each historic experience period underlying the average rate or rate change for each coverage. The selection of experience weights is entirely at the discretion of the insurer.

Sheet9 also provides space for insurers to describe any credibility standards applicable to the overall indicated rate change or loss trends if applicable to the filing. Details should be provided directly in Sheet9.

Sheet10 – Classification Factors and Discounts

Division of Insurance Bulletins 11, 12, and 12A provide guidance on the filing support requirements for classification factors and premium discounts. For the purposes of filings made pursuant to M.G.L. c. 175E, the term discount does not include deviations previously filed under M.G.L. c. 175, § 193R or any so-called deviations for affinity groups. Filing procedures for deviations related to group marketing plans are described in Division of Insurance Bulletin 2007-13.

Sheet10-1 provides space to summarize the effects of coverage category factors relative to the 2007 base rates. The source of these factors should be the “All” column in Sheet10-2, which should reflect the weighted average category factor within each coverage using either the insurer’s statewide exposure or premium as weights in this calculation. The actuarial support for these factors, and its location within the filing, should be described in the footnotes for these sheets. The actuarial support provided for the category factors should be sufficient for the Division of Insurance to determine if there is one, and only one, possible premium for a specific operator and vehicle combination under the insurer’s proposed classification plan. Specific guidance on category factors is provided in Division of Insurance Bulletin 2007-12 and 2007-12A.

Sheet10-3 provides a space for displaying **changes to the current safe driver insurance plan**. Depending on the number of rating categories proposed by the insurer, the insurer may submit the content of Sheet10-3 in a Microsoft Access format along with an attendant description of its contents. Sheet10-3 should also be considered as a place to present data used to support changes to the current safe driver insurance plan.

Sheet10-4 provides space for displaying **new rating factors based on the number of years a driver has been licensed**. Insurers will need to add sheets that display the actuarial support for the rating factors, and may add additional sheets using the labeling conventions noted in the footnotes to Sheet10-4.

Sheets10-5 through 10-8 provides space for insurers to show **compliance with the mandatory discounts** described in **DOI Bulletin 2007-11**. Insurers should complete the footnotes within each sheet and attach additional information that provides actuarial support for changes to these discounts using the labeling conventions noted in the footnotes.

Sheet10-9 provides space for insurers to support the **driver training discount** for the training described in M.G.L. c. 90, § 8. Insurers should complete the footnotes within each sheet and attach additional information that provides actuarial support for changes to these discounts using the labeling conventions noted in the footnotes.

Sheets10-10 and 10-11 provides space for insurers to actuarially support the **model year and rate symbol factors** applicable to collision and comprehensive, respectively. Proposed factors should be displayed in sheets10-10.1 and 10-11.1. Division of Insurance Bulletin 2007-14 outlines acceptable actuarial approaches this purpose in compliance with the requirements of regulation 211 CMR 79.00. The filing sheets contain the factors described in Bulletin 2007-14, and the insurer may decide which set to use. Insurers should complete the footnotes within each sheet and attach additional information that provides actuarial support for changes to these factors using the labeling conventions noted in the footnotes.

Sheet10-12 provides space for insurers to support their **proposed changes for miscellaneous coverages applicable to private passenger motor vehicle types**. This

would include any coverages that were not experience rated directly as noted in the input section of the filing form.

New Discounts or Rating Factors should be included **beginning with Sheet10-13**. Use a separate sheet for each discount or rating factor. The discount or factor should be described as a percentage (function) of the category factor to which it will be applied, and a description of its applicability by rating category should be provided.

Sheet11 – Coverage Rate Modifiers/New Endorsement Prices

Sheets11-1 through 11-12 provides space for insurers to describe their coverage rating factors for the various limits and deductibles of coverage they offer. Guidance on changes to these factors is contained in Division of Insurance Bulletin 2007-12.

If the insurer is introducing a new coverage or policy endorsement that has premium implications, the actuarial support for the proposed price should be included beginning with Sheet11-13. A separate sheet should be used for each new endorsement priced. If an endorsement extends coverage without a charge, no provision in the rate filing must be made.

Sheet12 – Rates for Miscellaneous Vehicles

Rates for miscellaneous vehicle types such as motorcycles or motor homes should be shown as sheet 13. Actuarial support for these rates may include the current rates; the rates included in the AIB April 1, 2008 Advisory Filing, or other sources.

Sheet 13 – Final Base Rates

Sheet12 provides space for insurers to show final base rates for each coverage. If separate base rates are calculated for each category, the insurer will have to add extra sheets using the labeling convention noted in the footnotes.

Premium Comparisons